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**1999 No. 2636****INCOME TAX****The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1999**

<i>Made</i>	- - - -	<i>21st September 1999</i>
<i>Laid before the House of Commons</i>		<i>22nd September 1999</i>
<i>Coming into force</i>		<i>13th October 1999</i>

The Treasury, in exercise of the powers conferred on them by section 463(1) and (4) of the Income and Corporation Taxes Act 1988(a), hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1999 and shall come into force on 13th October 1999.

**Interpretation**

2. In these Regulations “the principal Regulations” means the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997(b) and “regulation” means a regulation of the principal Regulations.

**Amendments to the principal Regulations**

3. After regulation 13 there shall be inserted the following regulations—

**“Modifications of section 432AA of the Taxes Act**

**13A.**—(1) Paragraphs (2) to (4) prescribe modifications of subsection (4) of section 432AA of the Taxes Act(c) so far as it applies to the life or endowment business carried on by friendly societies on and after 1st April 1998, subject to the transitional provisions in Part IV of Schedule 5 to the Finance Act 1998.

(2) In paragraph (c) before the words “basic life assurance” there shall be inserted the word “taxable”.

(3) After paragraph (c) there shall be inserted the following paragraph—

“(ca) tax exempt basic life assurance and general annuity business;”.

(4) For paragraph (d) there shall be substituted the following paragraphs—

“(d) taxable class IV business;

(da) tax exempt class IV business.”

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(a) 1988 c. 1; section 463 was amended by section 50 of the Finance Act 1990 (c. 29), paragraph 10 of Schedule 9 to the Finance (No. 2) Act 1992 (c. 48) and section 171(5) of the Finance Act 1996 (c. 8).

(b) S.I. 1997/473, amended by S.I. 1997/2877 and 1998/1871.

(c) 1988 c. 1; sections 432AA and 432AB were inserted by paragraph 39 of Schedule 5 to the Finance Act 1998 (c. 36).

**Modifications of section 432AB of the Taxes Act**

**13B.**—(1) Paragraphs (2) and (3) prescribe modifications of section 432AB of the Taxes Act so far as it applies to the life or endowment business carried on by friendly societies on and after 1st April 1998, subject to the transitional provisions in Part IV of Schedule 5 to the Finance Act 1998.

(2) In subsection (3) before the words “basic life assurance” there shall be inserted the word “taxable”.

(3) In subsection (4) before the words “basic life assurance” there shall be inserted the word “taxable”.

**4.** After regulation 30A(a) there shall be inserted the following regulation—

**“Modifications of section 755A of the Taxes Act**

**30B.**—(1) Paragraphs (2) to (6) prescribe modifications of section 755A of the Taxes Act(b) so far as it applies to the life or endowment business carried on by friendly societies in relation to accounting periods ending on or after 1st July 1999.

(2) In subsections (3), (10) and (11) before the words “BLAGAB apportioned profit”, in each place where they occur, there shall be inserted the word “taxable”.

(3) In subsection (4)—

(a) the word “or” immediately following paragraph (b) shall be omitted;

(b) after paragraph (c) there shall be inserted “or

(d) tax exempt basic life assurance and general annuity business,”.

(4) In subsection (6)(c) for the words “paragraphs (a) to (c)” there shall be substituted the words “paragraphs (a) to (d)”.

(5) In subsection (12)—

(a) for the words ““BLAGAB apportioned profit”” there shall be substituted the words ““taxable BLAGAB apportioned profit””;

(b) before the words “basic life assurance” there shall be inserted the word “taxable”.

(6) In subsection (13)—

(a) the word “or” immediately following paragraph (c) shall be omitted;

(b) in paragraph (d) before the words “basic life assurance” there shall be inserted the word “taxable”;

(c) after paragraph (d) there shall be inserted “or

(e) tax exempt basic life assurance and general annuity business,”.

**5.**—(1) Regulation 53 (modifications of Schedule 11 to the Finance Act 1996) is amended as follows in relation to accounting periods ending on or after 1st April 1996.

(2) In paragraph (3) for the words ““taxable basic life and general assurance business”” there shall be substituted the words ““taxable basic life assurance and general annuity business””.

**6.** After regulation 53 there shall be inserted the following regulation—

**“Modifications of Schedule 11 to the Finance Act 1996 as modified in relation to capital redemption business**

**53ZA.**—(1) Paragraphs (2) and (3) prescribe modifications of Schedule 11 to the Finance Act 1996—

(a) as that Schedule is modified in relation to companies carrying on capital redemption business by regulation 15 of the Insurance Companies (Capital Redemption Business) (Modification of the Corporation Tax Acts) Regulations 1999(c), and

(b) so far as that Schedule (as so modified) applies to the life or endowment business carried on by friendly societies for accounting periods ending on or after 1st July 1999.

(a) Inserted by S.I. 1998/1871, regulation 25(5) (and renumbered “30A” by S.I. 1998/3174, regulation 13).

(b) Section 755A was inserted by paragraph 13 of Schedule 17 to the Finance Act 1998.

(c) S.I. 1999/498.

(2) In paragraph 2(1) before the words “basic life assurance” there shall be inserted the word “taxable”.

(3) In paragraph 4(1), (2)(a), (7) and (10) before the words “basic life assurance”, wherever they occur, there shall be inserted the word “taxable”.

7. After regulation 53A(a) there shall be inserted the following regulation—

**“Modifications of paragraph 4 of Schedule 6 to the Finance Act 1999**

**53B.**—(1) Paragraphs (2) and (3) prescribe modifications of paragraph 4 of Schedule 6 to the Finance Act 1999(b) in relation to a reverse premium (within the meaning of that Schedule) received on or after 9th March 1999 by a friendly society carrying on life or endowment business, not being a payment or other benefit to which the friendly society was entitled immediately before that date.

(2) In paragraph (3)(b) before the words “basic life assurance” there shall be inserted the word “taxable”.

(3) In paragraph (4) for the words ““basic life assurance and general annuity business”” there shall be substituted the words ““taxable basic life assurance and general annuity business””.

*Jim Dowd*  
*Gordon Brown*

21st September 1999

Two of the Lords Commissioners of Her Majesty's Treasury

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(a) Inserted by S.I. 1997/2877, regulation 5.  
(b) 1999 c. 16.

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Section 463 of the Income and Corporation Taxes Act 1988 (“the Taxes Act”) provides that the Corporation Tax Acts shall apply to the life and endowment business carried on by friendly societies in the same way as they apply to mutual life assurance business or other long term business carried on by insurance companies, subject to such modifications and exceptions as may be prescribed by regulations made by the Treasury. The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (S.I. 1997/473) (“the principal Regulations”) make provision for such modifications and exceptions. These Regulations amend the principal Regulations with retrospective effect as described below.

Regulation 1 provides for citation and commencement, and regulation 2 for interpretation.

Regulation 3 inserts regulations 13A and 13B in the principal Regulations which modify sections 432AA and 432AB of the Taxes Act (Schedule A business or overseas property business) with effect from 1st April 1998.

Regulation 4 inserts regulation 30B in the principal Regulations which modifies section 755A of the Taxes Act (treatment of chargeable profits and creditable tax apportioned to company carrying on life assurance business) in relation to accounting periods ending on or after 1st July 1999.

Regulation 5 corrects a drafting error in regulation 53 of the principal Regulations, with effect in relation to accounting periods ending on or after 1st April 1996.

Regulation 6 inserts regulation 53ZA in the principal Regulations which modifies Schedule 11 to the Finance Act 1996 (loan relationships—special provisions for insurers) as that Schedule is modified in relation to companies carrying on capital redemption business by the Insurance Companies (Capital Redemption Business) (Modification of the Corporation Tax Acts) Regulations 1999 (S.I. 1999/498). The modifications made by regulation 6 have effect in relation to accounting periods of friendly societies ending on or after 1st July 1999.

Regulation 7 inserts regulation 53B in the principal Regulations which modifies paragraph 4 of Schedule 6 to the Finance Act 1999 (tax treatment of receipts by way of reverse premiums received on or after 9th March 1999).

Authority for the retrospective effect of these Regulations is given by section 463(4) of the Taxes Act.

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